GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:2249
ANSWERED ON:06.03.2003
PRIVATE SECTOR POWER POLICY
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Will the Minister of POWER be pleased to state:

(a) whether keeping in view the situation arising out of power shortage in the country, Government propose to review the private sector power policy as it has failed to take off in a significant manner; and

(b) if so, the details in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) & (b) : The policy to encourage private sector participation in the power sector was announced in 1991. The main objective of this policy was to bring in additionality of resources in view of the growing gap between the demand and supply of power and the serious resource crunch being faced by the State Electricity Boards (SEB) and Central /State Sector generating stations. Though a number of power projects have been envisaged for development through the private sector, the majority of the projects have been unable to achieve financial closure in spite of progressing well on other fronts. The foremost problem due to which many projects have been unable to achieve financial closure has been the poor financial health of the SEBs, who do not have the financialcapability to support the projects in terms of regular reimbursement of bills, opening of letters of credit and escrow accounts. Other reasons include the following:-

i. Delay in finalization of various contracts such as Power Purchase Agreement, Fuel Supply Agreement and Fuel Transportation Agreement etc.
ii. Court cases in the form of Public Interest Petitions etc.
iii. Increase in the prices of liquid fuels, particularly naphtha, which has made these States reluctant to pursue naphtha based generation.
iv. Withdrawal by EPC contractors.

Government has, therefore, initiated the process of reforms with a view to improving the financial condition of the various power utilities in order to make them commercially viable. The States have accepted the need for power sector reforms. A consensus was reached in the Conference of Chief Ministers/Power Ministers held inMarch, 2001 on the need to depoliticise power sector reforms and speed up their implementation and that the real challenge of reforms lay in the distribution sector. It was also resolved that State Electricity Regulatory Commissions (SERCs) would bemade functional and tariff petition filed and subsidy would be given, if required, to the extent of State Government`s capacity to pay the subsidies explicitly through budget.

The Ministry of Power has launched the Accelerated Power DevelopmentProgramme (APDP), now known as Accelerated Power Development and Reforms Programme (APDRP) in the year 2000-01 as an important step towards reduction of Aggregate Technical and Commercial losses and restoring commercial viability of the power sector. Twenty Six States have signed Memoranda of Understanding for undertaking reforms and restructuring in a time bound manner and linking the support of Government of India to achievement of predetermined milestones. To bring about commitment towards distribution reforms, State Electricity Boards / Utilities have been asked to sign a Memorandum of Agreement (MoA) with Ministry of Power as a pre- requisite for release of APDRP funds. Till now Twenty Five States have signed the MoA.

As per the MOA, the beneficiary States are required to agree tosystematically improve their financial viability by benchmarking their performance and periodically monitoring the same. The existing benchmarks shall be compared with the expected level to be achieved within the agreed time frame. These bench-marks, inter alia, apply to SEB / Utility level as well as Circle levels covering the following parameters:

? Input energy to circle Vs metered energy sale to consumers (energy billed on flat rate / assessed basis is not to be included).

? Transmission & Distribution losses in Million Units (MU) (flat rate sales and unmetered sales are not to be included)

? Gap between Average Revenue Realisation and Average Cost of Supply (ARR &ACS) per unit of energy (ARR - ACS) Average revenue realization - ARR (Ratio of Gross Revenue sales in crores of Rupees and Net Energy Input in MU) for entire state, ACS (Ratio of cost of supply [including generation cost, purchase and overhead cost] in crores of Rs and Net energy Input in MU for entire State).

? Productivity - Ratio of Metered energy sale to consumers and total Manpower strength in the circle (executives plus supervisors plus support staff).